

STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
SOUTHCENTRAL REGIONAL LAND OFFICE

PRELIMINARY DECISION

ADL 234313
Chenega Regional Development Group, LLC
Application for Lease
AS 38.05.083

This Preliminary Decision (PD) is the initial determination on a proposed disposal of interest in state land and is subject to comments received during the Public Notice period. The public is invited to comment on this Preliminary Decision. The deadline for commenting is **December 2, 2024**. Please see the Comments Section of this decision for details on how and where to send comments for consideration. Only the applicant and those who comment have the right to appeal the Final Finding and Decision.

Proposed Action:

The Department of Natural Resources (DNR), Division of Mining, Land and Water (DMLW), Southcentral Regional Land Office (SCRO) has received a request from Chenega Regional Development Group, LLC (CRDG) to lease 28.6 acres more or less, of state-owned tide and submerged lands for 10 years for the commercial cultivation and harvest of Pacific oysters (*Magallana gigas*), located within Thumb Bay, at the southern end of Knight Island, western Prince William Sound, approximately 12 miles northeast of Chenega, Alaska. The location of the project area is further described as being within the N1/2 of Section 1, Township 1 North, Range 9 East, Seward Meridian.

SCRO is considering the issuance of a 10-year aquatic farmsite lease to CRDG for the purpose of a year-round parcel with a suspended longline culture system for the commercial cultivation and harvest of Pacific oysters.

Scope of Review:

The scope of this decision is to determine if it is in the State's best interest to issue this aquatic farmsite lease.

Authority:

This lease application is being adjudicated pursuant to Alaska Statute (AS) 38.05.035 Delegation of the Powers and Duties of the Director; AS 38.05.070(b) Generally; AS 38.05.083 Aquatic Farming and Hatchery Site Leases; and AS 38.05.945 Public Notice. The authority to execute the

Preliminary Decision, Final Finding and Decision, and the lease has been delegated to the Regional Manager of SCRO.

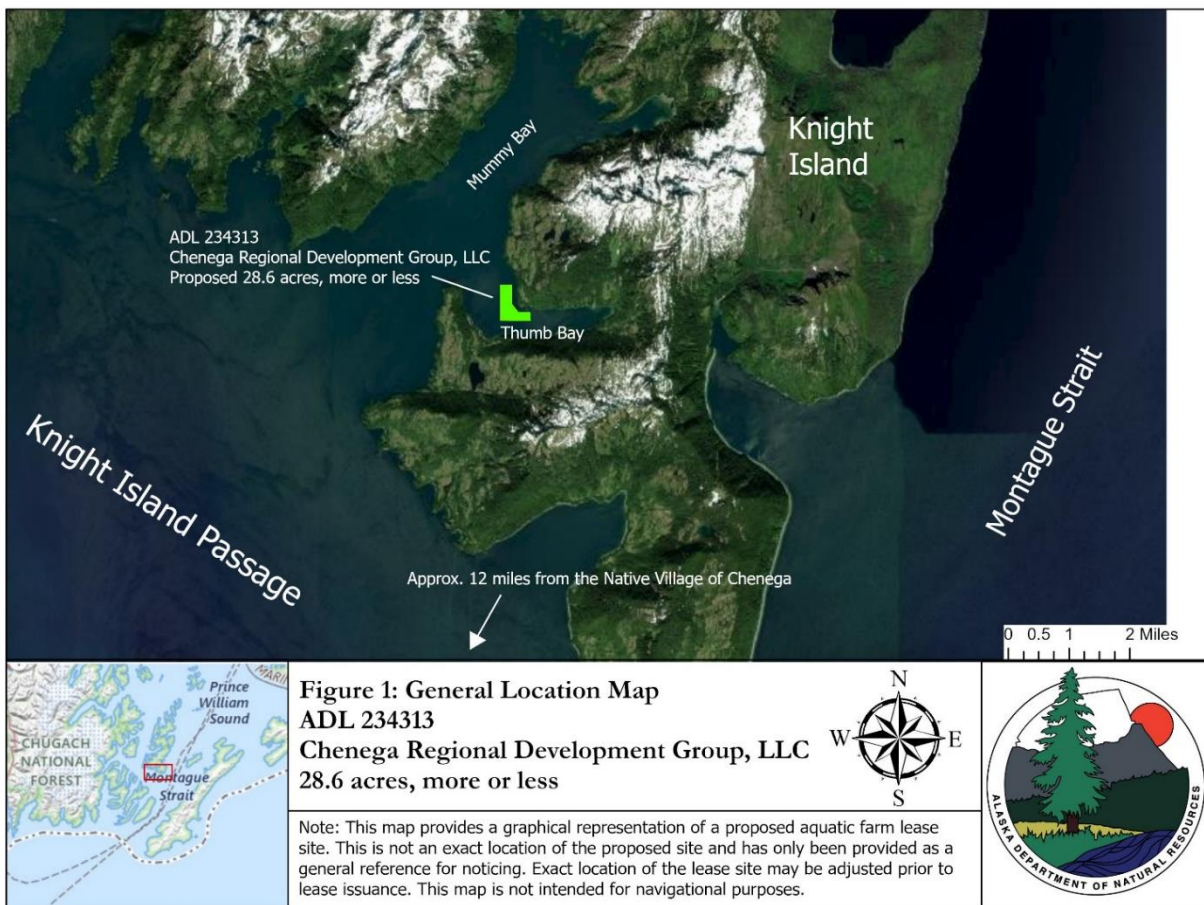
Administrative Record:

The administrative record for the proposed action consists of the Constitution of the State of Alaska, the Alaska Land Act as amended, applicable statutes and regulations referenced herein, the 1988 Prince William Sound Area Plan and other classification references described herein, and the casefile for the application serialized by DNR as ADL 234313.

Legal Description, Location, and Geographical Features:

The state land where this proposed lease site is located is described as follows:

- **Site reference name:** Thumb Bay
- **Legal description:** N1/2 of Section 1, Township 1 North, Range 9 East, Seward Meridian
- **Geographical locations:** Located within Thumb Bay, at the southern end of Knight Island, western Prince William Sound, approximately 12 miles northeast of Chenega, Alaska



- **Approximate Lat/Longs (NAD 83):**

Parcel 1: Suspended Grow-Out Area, 1,593.9 feet by 1,360.6 feet by 409.1 feet by 538.7 feet by 441.6 feet by 833.9 feet by 540.7 feet

Corner 1:	60° 12.620'N	147° 48.900'W
Corner 2:	60° 12.359'N	147° 48.901'W
Corner 3:	60° 12.358'N	147° 48.452'W
Corner 4:	60° 12.425'N	147° 48.454'W
Corner 5:	60° 12.426'N	147° 48.631'W
Corner 6:	60° 12.483'N	147° 48.721'W
Corner 7:	60° 12.620'N	147° 48.721'W

- **Existing surveys:** None
- **Municipality/Borough:** None
- **Native Corporations/Federally Recognized Tribes:** Chugach Alaska Corporation, The Chenega Corporation, Native Village of Chenega
- **Size:** 26.8 acres, more or less

Title:

A DNR Title Report (RPT-23686) was requested on August 13, 2024, from DMLW’s Realty Services Section. A Title Report issued from DMLW’s Realty Services Section will state whether the State of Alaska holds title to the subject tidelands under the Equal Footing Doctrine and the Submerged Lands Act of 1953. SCRO reserves the right to modify the Final Finding and Decision based upon information contained within the Title Report.

Third Party Interests:

No third-party interests are known at this time.

Classification and Planning:

The project area is subject to the Prince William Sound Area Plan (PWSAP), Management Unit 16: Knight Island, Subunit 16G: Remainder of Unit (tidelands), Map: “Knight Island” (3-127). The tideland designation for this site is General Use, which converts to a joint classification of Public Recreation Land, Settlement Land, and Wildlife Habitat Land, described in Chapter 4 of the PWSAP (4-6).

Within Chapter 2 of the PWSAP, Areawide Land Management Policies, Mariculture section, goals are to “provide opportunities to increase income and diversify the state’s economy through the use of state tide and submerged lands for mariculture” as well as “maximize the optimum use of the most suitable mariculture areas” (2-19). Chapter 2 guidelines state that “mariculture may be allowed on state tidelands where there is no significant conflict” (2-19).

As specified within the PWSAP in Chapter 2, Management Intent and Guidelines, “mariculture may be allowed on state tidelands if it can be made consistent” with the primary intent for a particular area (2-21). According to Chapter 2, “the siting of mariculture may be more difficult on tidelands designated for log transfer or storage, mineral transfer or access, commercial activities, crucial fish and wildlife habitat, or recreation. However, these areas will be available for mariculture if it is possible to site, design, and operate mariculture in a manner compatible with the designated use, or if there is no feasible and prudent alternative for mariculture while one exists for the competing use” (2-21).

In accordance with the PWSAP, aquatic farming is an allowable use and is therefore consistent with the plan. The proposed operation must be in the best interest of the state before an authorization may be issued. Factors that are to be considered in this decision are identified in 11 AAC 63.050(b).

Traditional Use Findings

The proposed lease is not located within an organized borough. AS 38.05.830 and 11 AAC 63.050(b)(5)(B) require consideration of whether the lease site impacts traditional and existing uses of the site.

Known traditional uses in the area consist of subsistence and recreational hunting and fishing, and include the following areas and species, as regulated by the Alaska Department of Fish & Game (ADF&G) and the U.S. Fish and Wildlife Service (USFWS):

Hunting, Trapping, and Subsistence Hunting: The proposed leasehold falls within the ADF&G Game Management Unit (GMU) 6: North Gulf Coast-Prince William Sound. The hunting regulations for GMU 6 list black bear, brown/grizzly bear, deer, goat, moose, wolf, and wolverine as species that can be hunted. ADF&G trapping regulations for GMU 6 list beaver, coyote, red fox, lynx, marten, mink, weasel, muskrat, river otter, squirrel, marmot, wolf, and wolverine as furbearers that can be taken. USFWS Federal Subsistence Wildlife Hunting Regulations for Unit 6: Cordova-Valdez list black bear, deer, goat, beaver, coyote, hare, lynx, wolf, wolverine, grouse, and ptarmigan as species that can be taken.

Subsistence Fisheries: The proposed leasehold falls within the ADF&G Prince William Sound subsistence finfish fishery, which includes salmon, lingcod, halibut, rockfish, and shark. Depending on the area, salmon can be harvested with set gillnets, drift gillnets, gaffs, spears, beach seines, dip nets, cast nets, and hand purse seines. The Prince William Sound subsistence shellfish fishery species include golden king crab, Tanner crab, and shrimp. Prior to the opening of the commercial fishing season, residents of Prince William Sound harvest the salmon that they require for subsistence. Halibut may also be caught by residents of rural communities through the federal subsistence halibut program. Rural communities within Prince William Sound include Chenega,

Cordova, Tatitlek, and Whittier. Although Valdez is located within Prince William Sound, with its larger population and road access it has been deemed a non-subsistence use area.

Commercial Fisheries: The ADF&G Central Region: Prince William Sound Management Area for commercial fishing encompasses all coastal waters and inland drainages entering the Gulf of Alaska between Cape Suckling and Cape Fairfield. This area is home to five salmon hatcheries, including the largest pink salmon and the second largest chum and sockeye salmon enhancement programs in the state. Salmon fisheries are a major economic driver within Prince William Sound, harvesting annually upwards of 74 million fish, according to ADF&G. Beginning in the early 1900s with razor clams, diverse shellfish fisheries including those for shrimp, scallops, king crab, Dungeness crabs, and Tanner crabs sustained area residents through the 1980s. As shellfish resources declined, fisheries developed for groundfish including Pacific cod, sablefish, and pollock.

Sport Fisheries: The proposed leasehold falls within the ADF&G Southcentral: Prince William Sound Management Area for sport fisheries, which targets five species of Pacific salmon, several species of groundfish, shrimp, clams, cutthroat trout, and Dolly Varden. These fisheries depend primarily on wild stocks. However, six private, non-profit hatcheries contribute significantly to salmon fisheries while state hatcheries support the stocking of lakes and king salmon fisheries in Valdez, Cordova, and Whittier.

The proposed aquatic farm site should not interfere with traditional and/or existing uses of the area, including commercial or sport fishing, subsistence activities, boat travel, and recreation. Public and Agency Notice may reveal more unknown uses. If such information becomes available, any potential or existing conflicts will be addressed in the Final Finding and Decision.

Access:

Access to the aquatic farm is by boat from the Native Village of Chenega.

Access To and Along Navigable and Public Waters:

AS 38.05.127 and 11 AAC 51.045 require that before leasing land, SCRO determines if a body of water is navigable and if it is, that SCRO provides for easements or reservations as necessary to ensure free access to and along the waterbody. The waters of Prince William Sound are tidally influenced and thus navigable. However, the lease is entirely within these waters and located further than 50 feet from Mean High Water, thus a .127 easement is not necessary.

Public Trust Doctrine:

Pursuant to AS 38.05.126 all authorizations for this site will be subject to the principles of the Public Trust Doctrine; specifically, the right of the public to use navigable waterways and the land beneath them for: navigation, commerce, fishing, hunting, and other purposes. These rights must be protected to the maximum extent practicable while allowing for the development of this

project. As such, SCRO is reserving the right to grant other authorizations to the subject area consistent with the Public Trust Doctrine.

Lease Discussion:

CRDG submitted an application for a DNR aquatic farm lease to cultivate Pacific oysters on February 22, 2024. In response to a request for additional information from SCRO and ADF&G, CRDG submitted a complete application on August 2, 2024.

The proposed lease will be comprised of one parcel, measuring 28.6 acres, more or less. The parcel will measure 1,593.9 feet by 1,360.6 feet by 409.1 feet by 538.7 feet by 441.6 feet by 833.9 feet by 540.7 feet, containing up to 22 double longlines with suspended ten-tier Aqua-Pacific cages for the cultivation of Pacific oysters.

The parcel will hold up to 22 double longlines split into two groups; one group of 12 double longlines and one group of 10 double longlines. Each double longline will be spaced 40 feet apart. Each double longline will include two 700 feet long parallel 1-inch lines connected by 70 double back longline buoys attached every 10 feet. The two parallel lines will connect at each end to 150 feet of 1 1/8-inch scope to 50 feet of 1-inch chain to a 1,500-pound Danforth anchor, for a total of 44 anchors on the longlines. Each double longline will accommodate up to 140 ten-tier wire mesh Aqua Pacific cages, alternately spaces on one of the two parallel 1-inch lines, every 8 feet. Each of the Aqua-Pacific tiers or baskets will measure 24 inches wide by 24 inches long by 5 inches tall, with 1-inch wire mesh. Each ten-tier cage will measure 50 inches tall and hangs about 4 feet below the water surface. Development of the farm will occur in stages, with three double longlines initially, followed by seed stock planting and subsequent infrastructure being increased yearly. The gear is intended to remain installed year-round.

The proposed site will also include up to four 40-foot by 40-foot work rafts anchored together by 25 feet of 1-inch chain and moored by two 1,500-pound Danforth anchors, connected by 60 feet of 1-inch chain to 200 feet of 1 1/8-inch line. The rafts will be used as support facilities for storing equipment, and platforms for drying gear. The rafts will be constructed of untreated wood with foam-filled hard plastic floats.

Harvesting is proposed to occur year-round with a crane on a vessel. Oyster harvest is planned within three to four years after initial planting, occurring one to three times per week. The site will be accessed by boat from the Native Village of Chenega. Gear that is not in use will be stored on upland property owned by Chenega Corporation.

At this time the Commercial Use Requirement (CUR) states a farm must make annual sales of aquatic farm products of at least \$3,000.00 per acre or \$15,000.00 per farm by the fifth year of operation and continue for the rest of the lease term. Failure to meet CUR constitutes a default and may be cause for termination. Annual reports of sales are due January 31 of each year.

Should the proposed lease be approved, the lease will be issued for a 10-year term beginning no later than one year following the effective date of the Final Finding and Decision. The proposed lease will be subject to the terms of DMLW's standard lease document and any Additional Stipulations based, in part, upon the following considerations.

Development Plan:

The Development Plan dated August 2, 2024, is accepted by SCRO as complete but may be subject to change based on agency and public review. Should the proposed lease be granted, it is anticipated that the Development Plan will need to be updated throughout the life of the lease as activities and/or infrastructure are added or subtracted. All updates must be approved, in writing, by SCRO before any construction, deconstruction, replacement of infrastructure, or change in activity will be permitted. SCRO reserves the right to require additional agency review and/or public notice for changes that are deemed by SCRO to be beyond the scope of this decision.

Hazardous Materials and Potential Contaminants:

No hazardous materials or fuel will be stored on the proposed lease. The use and storage of all hazardous substances must be done in accordance with existing federal, state and local laws. Debris (such as soil) contaminated with used motor oil, solvents, or other chemicals may be classified as a hazardous substance and must be removed from the sites and managed and disposed of in accordance with state and federal law.

Lease Performance Guaranty (bonding):

In accordance with AS 38.05.083(e) and 11 AAC 63.080, CRDG will be required to submit a performance guaranty for the lease site.

- **\$3,317.00 Performance Bond:** This bond will remain in place for the life the proposed lease. The bond amount is based upon the level of development, amounts of hazardous material/substances on site, and the perceived liability to the State. This bond will be used to ensure the applicant's compliance with the terms and conditions of the lease issued for their project. This bond amount will be subject to periodic adjustments and may be adjusted upon approval of any amendments, assignments, re-appraisals, changes in the development plan, changes in the activities conducted, changes in the performance of operations conducted on the authorized premises, or as a result of any violations to one or more of the authorizations associated with this project.
- **Reclamation Bond:** SCRO is reserving the right to require a reclamation bond due to non-compliance issues during the term of the lease or near the end of the life of the project.

Insurance:

CRDG will be required to submit proof of liability insurance to SCRO, with the State of Alaska listed as a “NAMED” insured party. CRDG will be responsible for maintaining such insurance throughout the term of the lease.

Survey:

In accordance with AS 38.04.045, this short-term lease does not require a survey. However, the State of Alaska reserves the right to require one in the future, should the need arise due to changes in statutes or increased use of the area. CRDG has submitted GPS coordinate point(s) for the four corners of the proposed leasehold.

Compensation and Appraisal:

DMLW has approved an administrative lease fee schedule for aquatic farmsites that meet the conditions listed within the schedule. The most current lease fee schedule will be used to establish the fair market rental each lessee must pay. Fees are subject to adjustment per AS 38.05.083(c). The current annual rate for a 28.6-acre aquatic farm lease is a base fee of \$450 for the first acre or portion thereof, and \$125 for each additional acre. In accordance with the Aquatic Farmsite Fee Schedule, Report No. 2522-16, a breakdown of the lease fee will be as follows:

28.6 acres (1 acres at \$450.00) + (28 acres x \$125.00) = **\$3,950.00 per year**

If the applicant does not agree with the fee schedule amount of \$3,950.00, a fair market value determination can be obtained by the applicant. Fair market value is determined by obtaining a DNR approved appraisal of the lease site. If an appraisal is conducted to determine fair market value of the lease site, the applicant will be required to pay the appraised amount, and the \$3,950.00 annual fee will no longer be an option. The appraisal cost will be borne by the applicant. The parcel may need to have an approved Alaska Tidelands Survey to accomplish the appraisal. If a survey is required, the cost will be incurred by the applicant.

Assignment of Lease:

The proposed lease, if issued, may be transferred or assigned to another individual or corporation **only** with prior written approval from the DMLW. A lease will not be assigned to an entity if that entity does not meet the statutory requirements of the lease or the lease is not in good standing. DMLW reserves the right to amend the terms of the lease prior to assignment.

Reclamation:

In accordance with AS 38.05.090(b), all lessees must restore their lease sites to a “good and marketable condition” within 120 days after termination of the lease. What level of reclamation constitutes as being “good and marketable” is at the discretion of SCRO. SCRO is reserving the right to require a reclamation bond due to non-compliance issues during the term of the lease or near the end of the life of the project.

Agency Notice:

An Agency Review was conducted starting on August 13, 2024, and ending on September 2, 2024. The following agencies were included in the review:

- DNR DMLW – Land Conveyance Section
- DNR DMLW – Mining Section
- DNR DMLW – Public Access Assertion and Defense Section
- DNR DMLW – Water Resources Section
- DNR DMLW – Resource Assessment and Development
- DNR DMLW – Realty Services
- DNR DMLW – Survey Section
- DNR Southeast Regional Land Office
- DNR Division of Parks and Outdoor Recreation
- DNR DPOR Office of History and Archaeology, State Historic Preservation Office
- DNR Natural Resource Conservation and Development Board
- DNR Division of Oil and Gas
- Alaska Department of Fish and Game
- Alaska Department of Environmental Conservation
- Alaska Department of Transportation and Public Facilities
- Alaska Department of Commerce, Community, and Economic Development
- Alaska Mental Health Trust Land Office
- Alaska Association of Conservation Districts
- U.S. Forest Service
- U.S. Army Corps of Engineers
- U.S. Fish and Wildlife Service
- U.S. National Park Service
- National Oceanic and Atmospheric Administration
- U.S. Environmental Protection Agency
- U.S. Coast Guard

Agency Review Comment(s):

During the Agency Review, SCRO received five comments from five agencies and “no comment” from one agency.

ADF&G Comment:

ADF&G’s Permit Coordinator submitted a letter on behalf of ADF&G Division of Commercial Fisheries (Management, Gene Conservation Lab and Fish Pathology), Division of Sport Fish, and Division of Wildlife Conservation, Subsistence and Habitat Section, dated August 29, 2024, commenting that ADF&G had no concerns pertaining to an aquatic farm operation permit amendment at the proposed locations. Within the August 29, 2024, letter from ADF&G is a

Department Advisory, advising the applicant of general conditions pertaining to ADF&G's statutory and regulatory provisions for issuance of an Aquatic Farm Operation Permit (AFOP) if the applicant's project is approved. ADF&G also requests that the August 29, 2024, letter be included in the preliminary decision as an advisory to the applicant and for public reference.

The following concerns and recommendations are noted in the ADF&G letter and may be addressed in the AFOP:

- *Marine Mammal Research Program*: This application complies with the guidelines set forth with the ADF&G marine mammal mariculture policy updated in April 2024. Advisory or mitigation steps recommunicated by NOAA Fisheries National Marine Fisheries Service (NMFS) or the US Fish and Wildlife Service (FWS) to reduce marine mammal disturbances should be followed. Large whales, especially humpbacks, are highly susceptible to entanglement in lines in the water; Removing all gear from the water during the non-growing season may minimize gear loss, user conflicts, and marine mammal entanglement and habitat exclusion potential. Any marine mammal entanglements should be immediately reported to the NMFS 24 hr. Stranding Hotline. The following standard conditions are recommended to ensure marine mammal disturbances are minimized at the operation location:
 - regular maintenance of farm structures (i.e. keeping lines secured and anchor wraps under tension);
 - limiting the use of underwater lighting;
 - ensuring waste material and debris are collected and disposed of correctly;
 - using caution when operating vessels, and;
 - directing aquatic farm workers to avoid interacting with or feeding marine mammals.

SCRO Response:

SCRO acknowledges ADF&G's comment. As one of the resource managers in the area, ADF&G's input is an important source of information. SCRO relies on input from ADF&G and other stakeholders to advise of any expected impacts and solutions that may fall outside of SCRO's authority. CRDG was provided a copy of ADF&G's August 29, 2024, letter. As requested by ADF&G, the PD herein contains ADF&G's letter, with the full Department Advisory, which will be advertised for a 30-day public comment period.

DNR's statutes and regulations for aquatic farmsite leases do not specify the management of aquatic farms relating to fish and game but instead authorize DNR to issue a lease for state-owned tideland, shoreland, or submerged land to develop an aquatic farm. Management of fish and game is within the authority of ADF&G, and as such, SCRO must defer to them and encourage the applicant to work directly with them. ADF&G may add the conditions it deems appropriate regarding fish and game to its operation permit authorization.

DNR DMLW – Public Access Assertion and Defense Section (PAAD) Comment:

PAAD submitted an email on August 15, 2024, stating, “The state believes they hold the tide and submerged lands in this location by the Submerged lands act of 1953 and the Alaska Statehood Act and the equal footing doctrine.”

SCRO Response:

SCRO acknowledges PAAD’s comments. A DNR Title Report (RPT-23686) was requested on August 13, 2024, from DMLW’s Realty Services Section. A Title Report issued from DMLW’s Realty Services Section will state whether the State of Alaska holds title to the subject tidelands under the Equal Footing Doctrine and the Submerged Lands Act of 1953.

DNR DMLW – Resource Assessment and Development Section (RADS) Comment:

RADS submitted a letter dated August 28, 2024, stating, “The Aquatic Farmsite Lease Serialized as ADL 234313, for 28.6 acres, more or less, for the cultivation of Pacific oysters (*Magallana gigas*) is located in the North ½ of Section 1, Township 1 North, Range 9 East, Seward Meridian, within Thumb Bay, at the southern end of Knight Island, on the western side of Prince William Sound, approximately 12 miles northeast of Chenega, Alaska. The area is included in Management Unit 16: Knight Island Subunit 16G: Remainder of Unit (tidelands) of the PWSAP. The area is designated General Use which converts to the joint classification Public Recreation Land, Settlement Land, and Wildlife Habitat Land.

Subunit 16G management will emphasize the protection of recreation and wildlife resources and ensure access to the uplands. Management policies and goals for mariculture in Chapter 2 of the PWSAP are to provide opportunities to increase income and diversify the state’s economy through the use of state tide and submerged lands for mariculture. Mariculture facilities should be sited where currents are strong enough to disperse organic deposits and in areas with the least productive benthic habitats. Siting should avoid small embayments with sills, areas with natural restrictions to tidal exchange, or areas with existing water quality problems. The U.S. Coast Guard must also certify the proposed facility will not be a significant navigational hazard.

Taking all the above area plan recommendations into account, the proposed aquatic farm site lease amendment is a viable application and should move forward.”

SCRO response:

SCRO acknowledges RADS’s comments. SCRO relies on input from RADS and other stakeholders to advise of any expected impacts and solutions that may fall outside of SCRO’s authority. Regarding the U.S. Coast Guard (USCG) navigational hazard assessment, SCRO included USCG in the Agency Review, however, USCG did not comment.

National Oceanic and Atmospheric Administration (NOAA) Comment:

NOAA submitted an email on August 16, 2024, stating, “The oyster farm proposed by Chenega Regional Development Group does not require an essential fish habitat (EFH) assessment. NOAA offers these informal conservation recommendations:

1. Pacific herring are an important prey species for several commercial groundfish species, and an adverse impact to prey is an adverse impact to an EFH component. Survey the farmsite for herring presence in the spring and for herring spawn. Herring eggs on farm materials, including oysters and oyster gear, must be allowed to hatch. Refer to ADF&G standard permit conditions on reporting eggs.
2. Manage shell and biofouling waste responsibly to protect the surrounding aquatic environment. Here are guidelines for proper waste disposal:
 - Prohibit Shell and Biofouling Dumping: Do not dump oyster shells or biofouling material from gear near the proposed farmsite. Such dumping can create a barren zone on the seabed, preventing the growth of submerged aquatic vegetation (SAV).
 - Land-Based Disposal: Dispose of all oyster shells and biofouling material on land, following appropriate waste management practices. This helps prevent environmental degradation and maintains the health of surrounding marine habitats.
 - Recycling and Reuse: Whenever possible, recycle oyster shells for use in restoration projects. This reduces waste and supports ecosystem restoration efforts.
3. The adjacent shorelines are characterized as having partial or continuous eelgrass. When installing and accessing gear, operate vessels at sufficiently low speeds to reduce wake energy, avoid turbidity, avoid prop wash/scour effects, and designate no-wake zones within 6 m (~20 ft) of established eelgrass beds (Limpinsel et al. 2023). This follows the State regulation to maintain the health and abundance of kelp and eelgrass beds (5 AAC 41.240(a)(1)(E)).”

SCRO Response:

SCRO acknowledges NOAA’s comments. SCRO relies on input from NOAA and other stakeholders to advise of any expected impacts and solutions that may fall outside of SCRO’s authority. CRDG was provided a copy of the information provided by NOAA on August 19, 2024.

United States Forest Service (USFS) Comment:

The USFS submitted a letter dated August 28, 2024, stating, “The terminal fish resources immediately in the proposed area include five unnamed anadromous waters, and Thumb Creek. All have Pink salmon in them.

The United States Forest Service (USFS) has no concerns for this specific project and location.

With respect to the increasing number of these requests we would ask ADNR’s consideration on the maximum percentage coverage that should be allowed to operate in an area. Some locations

may be reaching a high density of mariculture sites. Should these sites continue to be permitted there is an expectation of access issues during certain times of the year.

The USFS will continue to seek to work collaboratively with ADNR and other state agencies for the protection of forest resources.”

SCRO Response:

SCRO acknowledges USFS’s comment. As one of the resource managers in the area, USFS’s input is an important source of information. SCRO relies on input from the USFS and other stakeholders to advise of any expected impacts and solutions that may fall outside of SCRO’s authority.

Pursuant to 11 AAC 63.020(c), the commissioner will, in the commissioner's discretion, set application filing guidelines, such as minimum distances from anchorages or the mouths of anadromous fish streams at which an aquatic farmsite may be located. The current guidelines state that aquatic farmsites must be located a minimum of 300 feet from the mouths of anadromous fish streams. The proposed aquatic farmsite is located more than 300 feet from the mouths of all anadromous fish streams.

Currently, there is only one application within Thumb Bay. Pursuant to 11 AAC 63.050(c), “the commissioner will not grant aquatic farmsite leases that would encumber more than a third of the surface area estimated to exist at mean lower low water of a bay, bight, or cove, unless the commissioner finds that (1) it is in the state's best interest to concentrate leases in one such bay, bight, or cove so as to keep other specified water bodies completely unencumbered, (2) the cumulative impacts will not be excessive, and (3) the upland owner will retain a right of reasonable access to tidewater”. The proposed aquatic farmsite does not encumber more than a third of the surface area estimated to exist at mean lower low water within Thumb Bay.

Public Notice of the Preliminary Decision:

Pursuant to AS 38.05.945, this PD will be advertised for a 30-day public comment period. Notice will be posted on the Alaska Online Public Notice System and at the post offices located in Chenega. Courtesy notices will also be mailed or emailed to neighboring property owners, permit/lease holders, and other interested parties on October 31, 2024, for a 30-day public comment period.

Comment(s):

This decision is subject to both public and agency comments and all comments received by the comment deadline will be considered in the Final Finding and Decision. Only those who comment and the applicant have the right to appeal the Final Finding and Decision.

**Written comments about this project must be received in this office no later than
December 2, 2024, to be considered.**

To submit comments, please choose one of the following methods:

Postal: Department of Natural Resources
Southcentral Regional Land Office
ATTN: Jen Kopnicky
550 West 7th Avenue Suite 900C
Anchorage, AK 99501-3577
E-mail: jen.kopnicky@alaska.gov
Fax: (907) 269-8913

If public comments result in significant changes to the Preliminary Decision, additional public notice may be given. To be eligible to appeal the Final Finding and Decision, a person must provide written comments during the Preliminary Decision comment period per AS 38.05.035(i)-(m).

Signature Page Follows

Recommendation:

DMLW has completed a review of the information provided by the applicant, examined the relevant land management documents, and has found that this project is consistent with all applicable statutes and regulations. SCRO considered three criteria to determine if this project serves the best interest to the State and the development and enjoyment of its natural resources. The criteria include direct economic benefit to the State, indirect economic benefit to the State, and encouragement of the development of the State’s resources. This authorization provides a direct economic benefit to the State with the collection of one-time filing fees and any yearly rent/fees. The authorization of this lease is in the State’s best interest as it furthers economic development of the State’s aquatic farm industry. It is recommended that SCRO issue a 10-year lease to CRDG.



Jen Koppnicky
Natural Resource Specialist 2

10/29/2024

Date

Preliminary Decision:

It is the determination of the Division of Mining, Land, and Water that it may be in the State’s best interest to issue an aquatic farmsite lease to CRDG, as described above. Prior to issuance of this lease, the applicant will be required to pay the annual lease fee of \$3,950.00, submit a \$3,317.00 performance bond, and provide proof of liability insurance. This Preliminary Decision shall now proceed to public notice.

pp 

Joni Sweetman, Regional Manager
Division of Mining, Land & Water
Southcentral Regional Land Office

10/29/2024

Date

Attachments

- Attachment A – Development Plan
- Attachment B – ADF&G Letter

Attachment A Development Plan

PROJECT DESCRIPTION

DATE SUBMITTED: [Click or tap here to enter text.](#)

Company Name

Chenega Regional Development Group, LLC

Site Location [Include water body, distance from nearest community, any landmarks, general region of Alaska, and whether on state tidal and/or submerged lands or private. Provide enough information to understand where it is located.]

The proposed farmsite is composed of one parcel on state owned submerged lands totaling about 28.6 acres in Thumb Bay located at the southern end of Knight Island in western Prince William Sound.

Site Dimensions, Acres for Each Parcel

The proposed aquatic farmsite is "L" shaped measuring 1,593.9 on the western maximum boundary and 1,360.6' on the southern maximum boundary for a total of approx. 28.6 acres. Please see Figures 2 and 3 for specifics.

Total Acres of All Parcels

28.6 acres

Species You Intend to Farm [Include scientific and common species name]

Pacific oyster, *Magallana gigas*

Culture Method [Describe operation activities to be done onsite such as outplanting of seedstock, husbandry techniques to be used (culling, sorting, washing, etc.), maintenance and monitoring activities, management of fouling organisms and incidental species, predator control measures, and schedule of activities such as timing of outplanting seeded lines or adding seedstock into trays, etc. Describe what methods you plan to use based on the definition in [5 AAC 41.400\(6\)](#). "Culture" means to use or the use of methods to manipulate the biology and the physical habitat of a desired species to optimize survival, density, growth rates, uniformity of size, and use of the available habitat, and to efficiently produce a product suitable for a commercial market.]

Pacific oysters will be hung from longlines in suspended ten-tier Aqua-Pacific wire mesh cages in about 60' of water. Culture methods will include planting of 20-25mm juvenal oysters into oyster cages, removing oysters from cages for grading, washing and thinning during the growing season. Oysters will be washed and tumbled to create a desirable shell shape, meat quality, and shell thickness. Oyster gear will be dried to control biological fouling and allow maximum flow of water into the gear.

Culture Gear and Equipment (Type, Size, Number, Configuration, Material, and Anchoring System) [If more than one parcel, indicate what parcel specific gear will be located on. If more than one species, indicate gear to be used for each. Gear includes any structure that holds or protects the organism like trays, tiers of lantern nets, Vexar bags, OysterGro system, grow-out submerged longlines, predator netting, longlines, buoys, depth control systems, etc. Include approximate installation schedule, or if and what gear will remain installed year-round etc.]

Pacific oysters will be grown using the method of suspended longline culture. The proposed 28.6 acre parcel would hold up to 22 double longlines split into two groups of 12 longlines and 10 longlines. Each double longline includes 2, 700' of parallel 1" lines connected by 70 double back longline buoys attached every 10'. The two parallel lines connect at each end to 150' of 1 1/8" scope to 50' of 1" chain to a 1,500 pound Danforth anchor, totaling 44 anchors for the longlines (and 2 more anchors for the workrafts later mentioned). Each double longline will accommodate up to 140 ten-tier wire mesh Aqua-Pacific cages alternately spaced on one of the 2, 1" lines every 8'. Each double longline will be spaced 40' apart. The suspended gear will include ten-tier wire mesh Aqua-Pacific cages. Each individual tier or basket measures 24" wide x 24" long x 5" tall with 1" wire mesh. Each ten-tier cage measures 50" tall and hangs about 4' below the water's surface by a bridle. Total production capacity of the 28 acres targets 2.5-3 million oysters per year by year 10. Development of the farm would occur in stages. Initially about 2 million oysters will be planted on three double

Attachment A Development Plan

longlines, seed stock will be planted and increased yearly therefore requiring development of the farm infrastructure in subsequent years. The gear is intended to remain installed year-round.

Seed Acquisition Plan (Commercially produced and/or wildstock) [Commercially produced juveniles or seed stock must be obtained from an approved seed source. Do you intend to collect wildstock juveniles or natural set organisms for direct culture on your proposed site? Yes/No. If yes, describe collection methods (applicable for indigenous species: i.e. mussels, scallops, abalone, natural set aquatic plants, etc. This does not refer to broodstock collection on behalf of hatcheries for propagation. If increasing number of acquisitions per year, indicate projected amounts per year. Aquatic plant species can be combined into total feet of line per year.]

Pacific oyster seed will be obtained from an approved seed source

Harvest Equipment and Method [Describe harvest equipment and methods to be used, activities to be done onsite, and schedule of harvest of aquatic farm product. If more than one species, include harvest information for each species or group of species like macroalgae if the harvest information is the same.]

Harvesting will occur year-round with transport of product from the Village of Chenega to Whittier and Seward by boat. The farm intends to harvest using a boat with crane, a maximum of 3 million oysters per year or 57,000 oysters on average every week. Oyster harvest is within three to four years after initial planting, occurring 1-3 times per week, year-round. Oysters will be harvested, washed, sorted, and transported in insulated fish totes with ice.

Support Facilities (Type, Size, Number, Configuration, Material, and Anchoring) [Support facilities include caretaker facility, storage rafts, work rafts, processing rafts, etc.]

The proposed farm includes up to 4, 40' x 40' work rafts which would be anchored inline at the southwestern end of the farmsite "L". The rafts would be used as support facilities for storing equipment, platforms for drying gear, and as work platforms. The rafts will be constructed of untreated wood with foam filled hard plastic floats. The three rafts will be anchored together by 25' of 1" chain and moored by a 1,500 pound Danforth connected to 50' of 1" chain to 200' of 1 1/8" line. At the furthest ends of the of the inline rafts will be a center-mounted connection to 200' of 1 1/8" chain finally connecting to a 1,500 pound anchor on each end (2 anchors in total for the 4 inline work rafts).

Access to and from Site [Include nearest community, transportation type used and how many times traversing back and forth]

Access to and from the site is by boat.

Storage Location of Equipment and Gear When Not in Use [Include whether on private lands and nearest community]

Gear that is not in use will be stored on upland property owned by Chenega Corporation. Gear may also be stored on one of the 40' x 40' work rafts located at the farm. Upland facilities and support structures will be located on Chenega Corporation lands.

Attachment A Development Plan

Attachment 1

Chenega Regional Development Group, LLC

Thumb Bay, Western Prince William Sound, Alaska

Project Description

The proposed aquatic farmsite is composed of one parcel on state-owned submerged lands totaling about 28.6 acres. Thumb Bay is about 12 miles by boat from the Village of Chenega on the southern tip of Knight Island (Attachment 1).

The proposed aquatic farmsite is "L" shaped measuring 1,593.9 on the western maximum boundary and 1,360.6' on the southern maximum boundary for a total of approx. 28.6 acres. Please see Figures 2 and 3 for specifics. These 28.6 acres will accommodate up to 22, 700' double longlines split into two groups (12 double longlines and 10 double longlines). Longlines will be spaced 40' apart. Pacific oysters will be cultured and hung from longlines in suspended gear in about 60' of water. The suspended gear will be comprised of ten-tier wire mesh Aqua-Pacific oyster cages hung just below the surface. Cages will be spaced 8' apart with up to 175 cages per 700' double longline. The longlines will be floated by double back, hard plastic buoys measuring 4.1' long by 2.2' wide spaced every 10'. Each double longline will include roughly 70 double backed buoys connected by two parallel 1" poly lines. The two parallel lines will be connected at each end to 200' 1 1/8" scope connected by 50' of 1" chain to a 1,500-pound Danforth anchors totaling 44 anchors for the longlines (and 2 more anchors for the workrafts later mentioned). The farmsite is designed to include a total of 22, 700' double longlines capable of holding 3,200 ten-tier Aqua-Pacific cages.

The proposed farmsite includes up to 4, 40' x 40' work rafts which would be anchored in the southern end of the farmsite. The rafts will be used as support facilities for storing equipment, drying gear, and working. The rafts will be constructed of untreated wood decking, galvanized I beam framing and Styrofoam filled plastic floats. The four rafts will be shackled together and moored at each end to the outside rafts to 200' of 1 1/8" scope to 50' of 1" chain and 1,500-pound Danforth anchors. The gear is intended to remain installed year-round.

Total production capacity of the 28.6 acres is expected to be up to 2.5-3 million oysters per year. Development of the farmsite will be done in stages. Initially about 1 million oysters will be planted on three double back longlines, seed stock will be planted and increased yearly thus requiring development in farm infrastructure.

Upon obtaining seed, the seed will be reared in the Crab Bay FLUPSY and grown from 2mm to the 20-25mm stage. Juvenile oysters will be removed from the FLUPSY and placed in the suspended cages to grow to our preferred market size.

Husbandry techniques will include planting juvenile oysters into oyster cages, removing the oysters from cages for grading, washing, and thinning. Fouling of oyster gear will be

Attachment A Development Plan

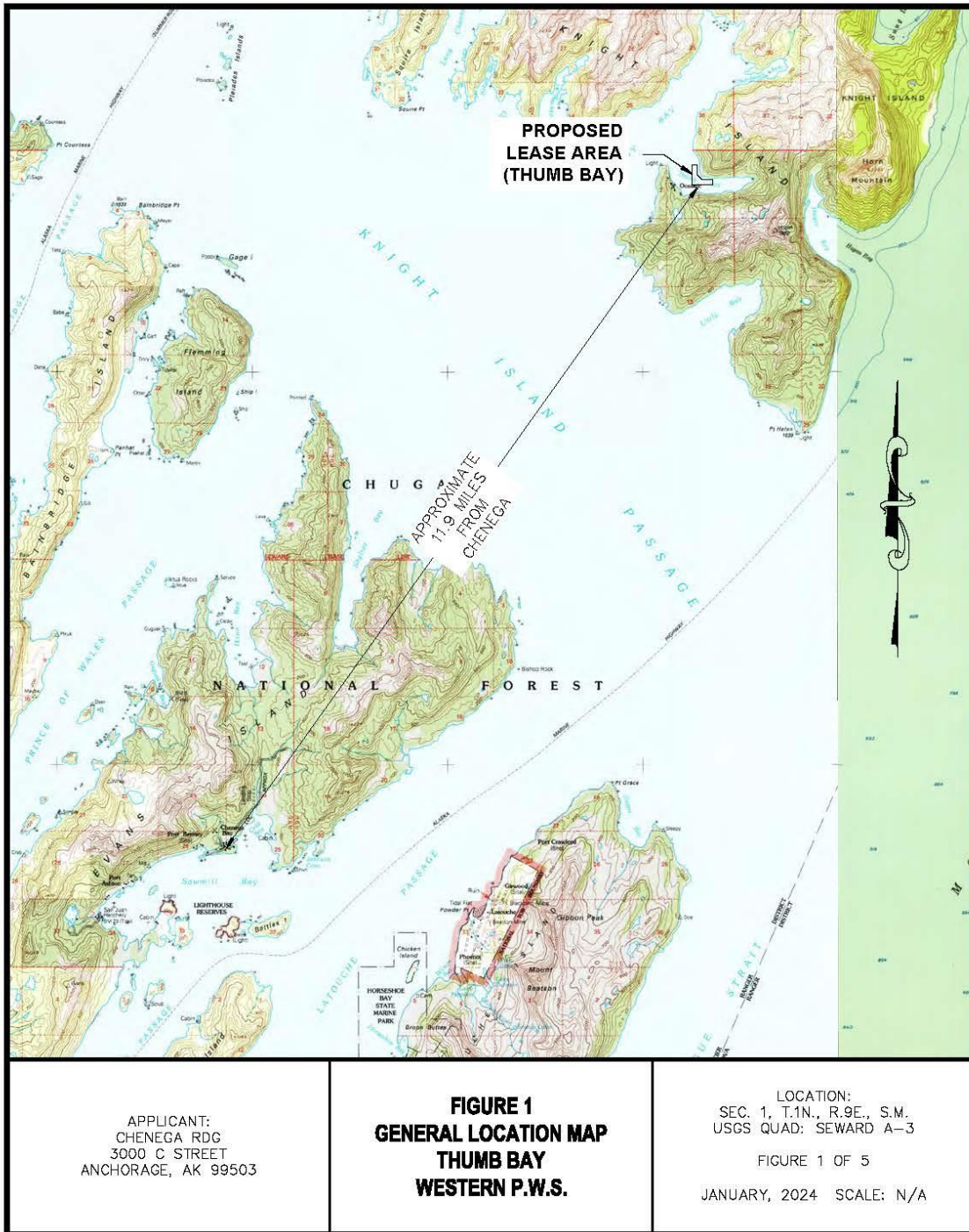
controlled by drying and washing gear. Oysters will be tumbled to promote proper shell growth and hardening of shells.

Work on the oyster farm will take place all year with an increase in activity during the summer growing season. Workers will live seasonally at upland cabins owned by Chenega Corporation in the Village of Chenega, Thumb Bay, and Eshamy. The farm will be operated using several smaller oyster tenders as well as a 47' work boat with crane for harvesting. The farm will be supported using up to 4, 40' x 40' work rafts and a floating caretaker facility. Harvesting will occur year-round with transport of product from Chenega to Whittier and Seward and into Anchorage and beyond. The farm will harvest about 5 million oysters per year, or 96,000 oysters on average every week. Harvests will be done twice a week during the winter and three to four times a week during the summer. Oysters will be harvested, washed, sorted, and transported in insulated fish totes.

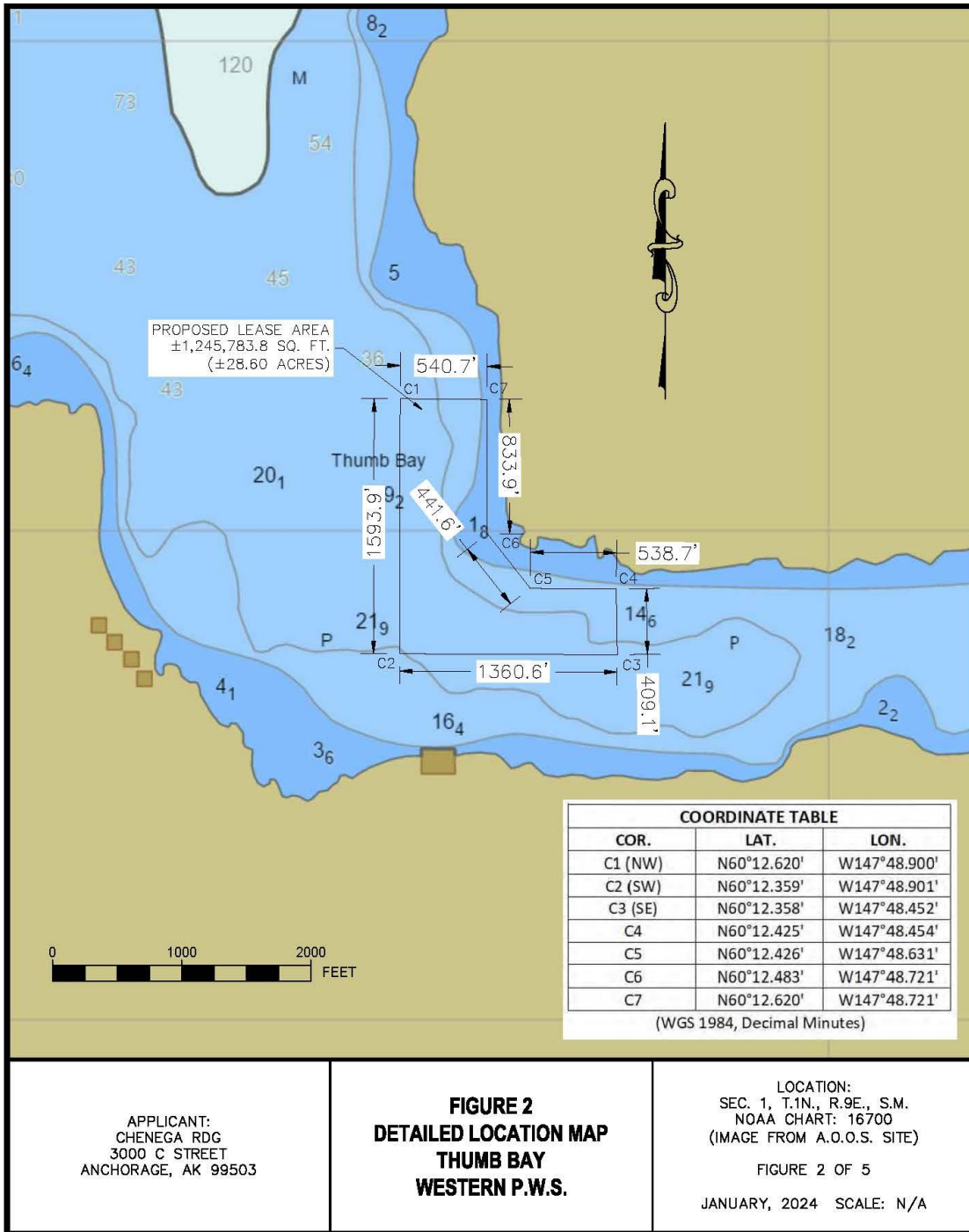
Work rafts will be found in the most southwestern section of the aquatic farmsite's "L". Support facilities include work boats that travel to site and 4, 40' x 40' work rafts chained together by 25' of 1" chain. The outside rafts, from the farthest center-points, will be anchored with 200' of 1 1/8" line connected to 50' of 1" chain to 1,500 lb Danforth anchors on each end (2 anchors total for the 4 work rafts). Gear would remain in place year-round.

Gear that is not in use will be stored on upland property owned by Chenega Corporation. Gear may also be stored on the 40'x 40' work rafts located at the farm. Upland facilities and support structures will be located on Chenega Corporation lands. Access to the site is by boat.

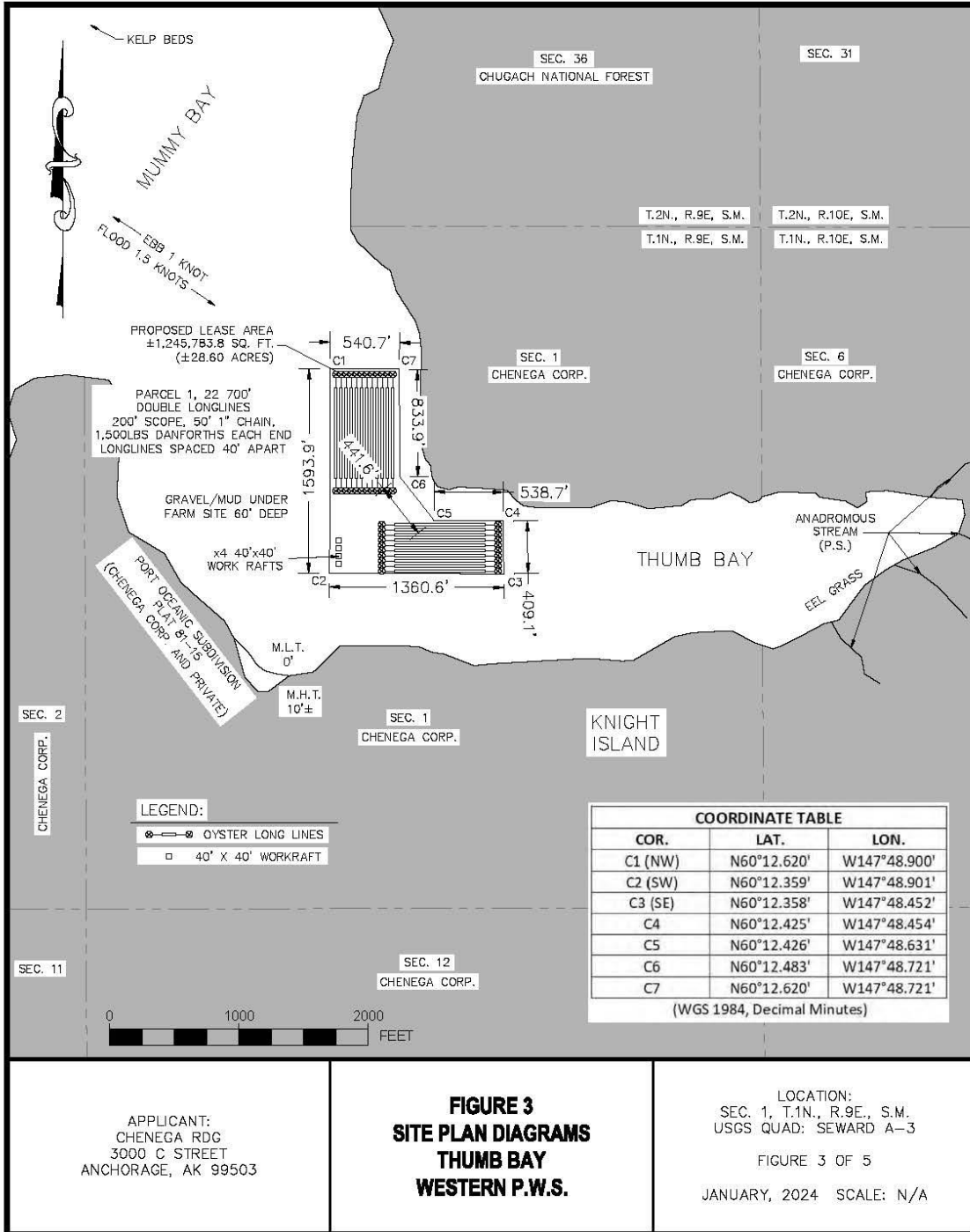
Attachment A Development Plan



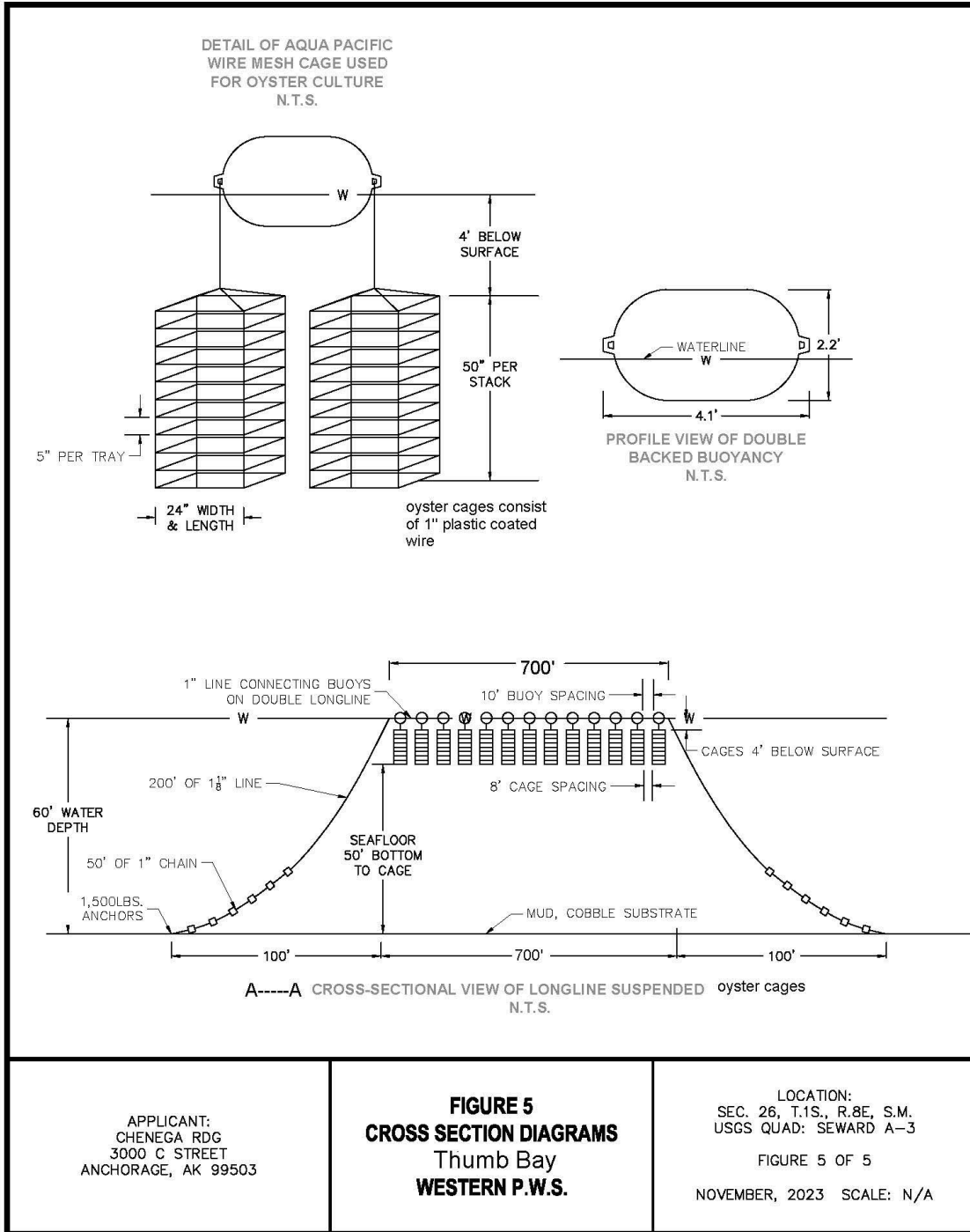
Attachment A Development Plan



Attachment A Development Plan



Attachment A Development Plan

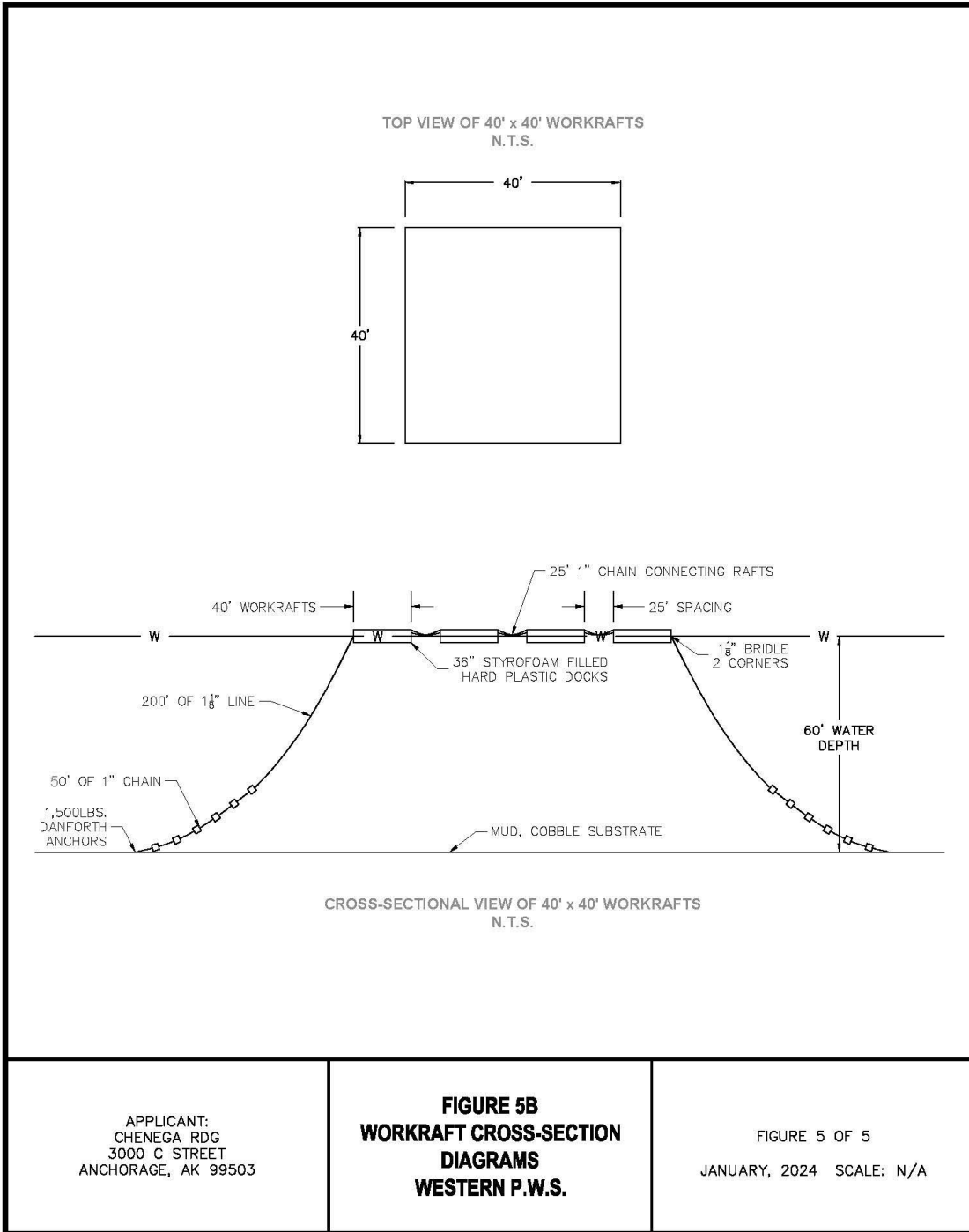


APPLICANT:
CHENEGA RDG
3000 C STREET
ANCHORAGE, AK 99503

**FIGURE 5
CROSS SECTION DIAGRAMS
Thumb Bay
WESTERN P.W.S.**

LOCATION:
SEC. 26, T.1S., R.8E, S.M.
USGS QUAD: SEWARD A-3
FIGURE 5 OF 5
NOVEMBER, 2023 SCALE: N/A

Attachment A Development Plan



Attachment B
ADF&G Letter



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Fish and Game

Division of Commercial Fisheries
Headquarters Office

1255 West 8th Street
P.O. Box 115526
Juneau, Alaska 99811-5526
Main: 907.465.4210
Fax: 907.465.4168
Permit Coordinator: 907.465.4724

August 29, 2024

Jen Kopnicky
Department of Natural Resources
Southcentral Regional Land Office
Aquatic Farm Leasing Program
550 West 7th Avenue, Suite 900C
Anchorage AK 99501

Re: Alaska Department of Fish and Game Agency Review Comments
Stover / Chenega Regional Development Group Aquatic Farm Site Proposal – Thumb Bay
DNR File No.: ADL 234313

Dear Ms. Kopnicky:

The Alaska Department of Fish and Game (ADF&G) has completed a preliminary review of the project proposal, **ADL 234313** relevant to criteria specified in authorizations for Aquatic Farming AS16.40.105 and 5 AAC 41 200-400. ADF&G Division of Commercial Fisheries (Management, Gene Conservation Lab and Fish Pathology Section), Division of Sport Fish, Division of Wildlife Conservation, Subsistence Section and Habitat Section, were part of the initial review. *There are no concerns pertaining to an aquatic farm operation permit at the proposed location.* Any comments from other government agencies or from the public that may impact applicable department provisions will be considered as part of the final department review for an aquatic farm operation permit which will be issued within 30 days of the lease being issued. Recommendations from this preliminary review are summarized below.

Department Advisory

Please advise the applicant that if the project is approved, general conditions pertaining to Alaska Department of Fish and Game statutory and regulatory provisions for issuance of an Aquatic Farm Operation Permit (AFOP) will be included in the operation permit. In addition, site-specific conditions that have been recommended by staff may be included in the AFOP.

Division of Commercial Fisheries has reviewed this request and have no concerns. The proposed project site falls within closed waters for commercial fishing.

Gene Conservation Lab has reviewed this request and have no concerns.
Fish Pathology Section has reviewed this request and have no concerns.

Division of Sport Fish has did not comment at this time.

Attachment B ADF&G Letter

Jennifer Kopnicky
Department of Natural Resources
Aquatic Farm Proposal ADL 234313 ADF&G Review Comments

- 2 -

August 29, 2024

Invasive Species Program Coordinator did not comment at this time.

Division of Wildlife Conservation

Marine Mammal Research Program: This application complies with the guidelines set forth with the ADF&G marine mammal mariculture policy updated in April 2024.

The following standard conditions are recommended to ensure marine mammal disturbances are minimized at the operation location:

- a. regular maintenance of farm structures (i.e. keeping lines secured and anchor wraps under tension);
- b. limiting the use of underwater lighting;
- c. ensuring waste material and debris are collected and disposed of correctly;
- d. using caution when operating vessels, and
- e. directing aquatic farm workers to avoid interacting with or feeding marine mammals.

Any advisories or mitigation steps recommunicated by NOAA Fisheries National Marine Fisheries Service (NMFS) or the US Fish and Wildlife Service (FWS) to reduce marine mammal disturbances should be followed. Large whales, especially humpbacks, are highly susceptible to entanglement in lines in the water; Removing all gear from the water during the non-growing season may minimize gear loss, user conflicts, and marine mammal entanglement and habitat exclusion potential. Any marine mammal entanglements should be immediately reported to the NMFS 24 hr. Stranding Hotline, phone – (877) 925-7773 and the ADF&G Permit Coordinator (907-465-4724).

Access Defense Program: Has reviewed this request and have no concerns.

Seabird Program: did not comment at this time.

Habitat Section did not comment at this time.

Subsistence Section has reviewed this request and have no concerns.

Our department requests that the Department of Natural Resources consider providing this in their Preliminary Decision as an advisory to the applicant and for public reference.

Thank you for the opportunity to provide comments on this aquatic farm proposal. If you have any questions, please contact me at (907) 465-4724.

Sincerely,



Michelle Morris
Permit Coordinator

ecc: Garold V. Pryor, Aquaculture Section Chief, ADF&G
Marc Stover, Chenega Regional Development Group